

VZCZCXRO8829  
RR RUEHBC RUEHDE RUEHIHL RUEHKUK  
DE RUEHGB #2568 2140517  
ZNY CCCCC ZZH  
R 020517Z AUG 07  
FM AMEMBASSY BAGHDAD  
TO RUEHC/SECSTATE WASHDC 2593  
INFO RUCNRAQ/IRAQ COLLECTIVE  
RUEHKO/AMEMBASSY TOKYO 0054  
RUEATRS/DEPT OF TREASURY WASHDC

C O N F I D E N T I A L BAGHDAD 002568

SIPDIS

SENSITIVE  
SIPDIS

E.O. 12958: DECL: 08/02/2017  
TAGS: [ECON](#) [EFIN](#) [EAID](#) [IZ](#)  
SUBJECT: JAPANESE OFFICIAL ANNOUNCES NEW LOANS FOR  
RECONSTRUCTION, SEEKS CLARIFICATION ON PENDING LEGISLATION

REF: BAGHDAD 2552

Classified By: Economic Minister Charles P. Ries for reasons 1.4 (b) and (d)

11. (C) Begin Summary: Japanese Ambassador in Charge of Reconstruction Assistance to Iraq Gotaro Ogawa told Economic Minister on July 31 that the GOJ was prepared to sign an agreement with the GOI Minister of Finance for two new reconstruction projects financed by soft loans. Despite meeting with the head of the Finance Committee in the CoR earlier that day, Ogawa still did not know if the CoR had passed legislation permitting the initiation of eight previously agreed projects, which, coupled with the two new projects, totaled approximately 2.1 billion USD. EMIN thanked the GOJ for its commitment to the Iraq reconstruction effort, and pledged the USG's assistance in getting the legislation passed. End Summary.

12. (C) On July 31, Gotaro Ogawa, GOJ Ambassador in Charge of Reconstruction Assistance to Iraq, Japanese Ambassador Kenjiro Monji, and Takahiro Nakamae, Minister-Counselor, asked EMIN about the current status of legislation covering eight reconstruction projects partially financed by soft Japanese loans. Ogawa told EMIN that the Japanese delegation had asked CoR Finance Committee Chair Ayad Samarrai about the legislation but did not receive a clear answer. Samarrai informed Ogawa of his disappointment that the projects did not seem to be equitably distributed around the country, but that the Finance Committee did not block its presentation to the plenary. (Note: After the meeting, we requested clarification from two CoR members, neither of whom could say conclusively whether the legislation passed. Separately, Samarrai told econoff that the Finance Committee would support passage of the legislation in September if the Council of Ministers promised that the remaining projects were located in areas outside those already with projects. End Note.)

13. (C) Ogawa announced that Ambassador Monji would sign an agreement for two additional projects later that same evening in a meeting with FinMin Bayan Jabr, which would bring the total number of projects to 10, worth approximately 2.1 billion USD. One of the new projects is based in Basrah to improve the provision of water, and the other is an electricity sector reconstruction project in Kurdistan. (Note: Japanese MinCouns told us later that the CoR voted and passed legislation that included only 4 of the 8 original projects (due to a "technical" mistake), and that CoR leadership and the MoF agreed to include all 8 projects when publishing the law in the official Gazette. If true, this action would constitute a clear violation of Iraqi parliamentary procedure. A law takes effect only upon Gazette publication. End Note.) The GOJ hoped that the projects would be passed quickly through the CoR in September once the

August recess concluded. EMIN said that as appropriate the U.S. would urge CoR members to act quickly on the legislation.

¶4. (SBU) At the Madrid Donor Conference, the GOJ pledged 3.5 billion USD in loans (in addition to 1.5 billion USD in grants) to aid in the Iraq reconstruction effort, Ogawa explained, and the GOI had already proposed an approved project list with a perceived equitable geographic distribution utilizing the entire sum. The loans have an interest rate of 0.75 percent and a repayment period of 40 years (including a 10-year grace period). Ogawa added that in general the GOJ assumes 70-80 percent of total project costs, with the GOI responsible for the remainder.

¶5. (SBU) The 10 projects currently under discussion represent what the GOJ considers to be the most desirable projects. Although the GOJ hopes to accelerate initiation of reconstruction projects with the remaining 1.4 billion USD of their loan pledge, the GOI has not reciprocated the effort. Japanese MinCouns Nakamae stated that the Iraqis were disinclined to propose new projects because of the expected difficulty in achieving a new consensus on an equitable distribution of projects. To address this, the GOJ has begun informing its GOI interlocutors not to consider the 3.5 billion USD a ceiling.

¶6. (U) EMIN expressed gratitude for the GOJ commitment to reconstruction in Iraq. Noting the recent success in stabilizing Anbar, EMIN stated that the USG was now trying to coordinate reconstruction efforts there (reftel), and suggested that the GOJ look into financing projects in Anbar as well.

CROCKER